



Joan Marsh
Director
Federal Government Affairs

Suite 1000
1120 20th Street NW
Washington DC 20036
202 457 3120
FAX 202 457 3110

November 21, 2002

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

Re: Notice of Oral Ex Parte Communication, In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, CC Docket Nos. 01-338, 96-98 and 98-147

Dear Ms. Dortch:

On November 18, 2002, SBC submitted into the record its plan for the "Development of a Sustainable Wholesale Model," by which SBC purported to offer a win-win solution for restoring "certainty to the telecom marketplace" and providing CLECs with a reasonable transition period away from UNE-P at an "affordable rate." The only certainty that SBC's plan will create is to guarantee the re-monopolization of the residential and small business markets because the "transition" plan offered by SBC is a competitive dead-end.

The attached spreadsheet, which reflects average revenue streams available in the local residential service market in SBC states, was built using actual, verifiable data – the type of data on which CLECs rely in building business models that support entry decisions. If you compare those revenues to SBC's proposed UNE-P costs and SBC's estimated expenses, the data unequivocally demonstrates that SBC's proposed transition plan is characterized by a range of negative margin opportunities that would meet no needs except those of a monopolist seeking to eliminate nascent competition. The estimated margins available to CLECs under SBC's plan range from a high of *negative* \$4.30 in Arkansas to a low of *negative* \$12.37 in Nevada, for an average net margin across all of the SBC's states of *negative* \$8.48, or *negative* 31%. In the SBC states in which AT&T currently uses the UNE-platform to provide residential service to millions of customers, SBC's plan would offer AT&T the follow average estimated per-line margins:

California	<i>negative</i> \$10.43
Michigan	<i>negative</i> \$4.97

Ohio *negative \$8.38*
Texas *negative \$7.20*

Indeed, the folly of SBC's proposal was exposed over a year ago in comments made by Ivan Seidenberg at J.P. Morgan's Millennium 2001 Conference on November 8, 2001. When asked about the prospects of local residential competition from AT&T, Mr. Seidenberg dismissed the possibility that AT&T could make a profit on UNE-P based services in New York at a cost of only \$20/line:

So I'm not so sure what new math that we're experiencing here. In New York, if you have UNE-P, I think their most aggressive package sells the service to the customer for about \$24.95. Is that about right? If you asked them what they pay us, it's \$20. So, if they're [AT&T] making money on the difference between those two things, they ought to go to the hall of fame. But I have a feeling that they're not doing that.

SBC's plan ultimately proves little more than that SBC is NOT interested in being in the business of providing viable and sustainable wholesale products to competitive carriers, and while AT&T would welcome a legitimate overture from any Bell Company demonstrating that it did have an interest in supporting a viable wholesale model, AT&T will not be a customer for any wholesale product that is priced at a point that unequivocally precludes profitable competitive entry.

Sincerely,



Joan Marsh

cc: Chris Libertelli
Matt Brill
Jordan Goldstein
Dan Gonzalez
William Maher
Jeff Carlisle
Scott Bergmann
Rich Lerner
Michelle Carey
Brent Olson
Tom Navin
Jeremy Miller
Rob Tanner

CLEC Financials Under SBC's Proposed "Solution" for UNE-P

Holding Company	State	Cost: SBC- proposed	Revenue: Basic & Features	Revenue: Subsidies	Revenue: SLC	Revenue: Access	Revenue: Total	Gross Margin		SG&A per SBC low estimate	Net Margin	
		UNE-P						(\$)	(%)		(\$)	(%)
Southwestern Bell	AR	\$26.00	\$22.94	\$0.63	\$5.27	\$2.46	\$31.30	\$5.30	17%	\$9.60	(\$4.30)	-14%
Pacific Telesis	CA	\$26.00	\$15.82	\$2.71	\$4.48	\$2.16	\$25.17	(\$0.83)	-3%	\$9.60	(\$10.43)	-41%
Southern New England	CT	\$26.00	\$17.03	\$0.03	\$5.78	\$2.52	\$25.35	(\$0.65)	-3%	\$9.60	(\$10.25)	-40%
Ameritech	IL	\$26.00	\$23.53	\$0.00	\$4.49	\$0.77	\$28.79	\$2.79	10%	\$9.60	(\$6.81)	-24%
Ameritech	IN	\$26.00	\$19.31	\$0.00	\$5.52	\$0.91	\$25.74	(\$0.26)	-1%	\$9.60	(\$9.86)	-38%
Southwestern Bell	KS	\$26.00	\$20.87	\$0.06	\$5.27	\$3.08	\$29.27	\$3.27	11%	\$9.60	(\$6.33)	-22%
Ameritech	MI	\$26.00	\$24.18	\$0.00	\$5.34	\$1.11	\$30.63	\$4.63	15%	\$9.60	(\$4.97)	-16%
Southwestern Bell	MO	\$26.00	\$18.27	\$0.13	\$5.27	\$2.51	\$26.17	\$0.17	1%	\$9.60	(\$9.43)	-36%
Pacific Telesis	NV	\$26.00	\$14.94	\$0.83	\$5.37	\$2.09	\$23.23	(\$2.77)	-12%	\$9.60	(\$12.37)	-53%
Ameritech	OH	\$26.00	\$20.78	\$0.00	\$5.38	\$1.06	\$27.22	\$1.22	4%	\$9.60	(\$8.38)	-31%
Southwestern Bell	OK	\$26.00	\$20.66	\$0.32	\$5.27	\$1.36	\$27.62	\$1.62	6%	\$9.60	(\$7.98)	-29%
Southwestern Bell	TX	\$26.00	\$19.96	\$0.00	\$5.27	\$3.17	\$28.40	\$2.40	8%	\$9.60	(\$7.20)	-25%
Ameritech	WI	\$26.00	\$20.85	\$0.00	\$5.06	\$0.76	\$26.67	\$0.67	3%	\$9.60	(\$8.93)	-33%
Total SBC		\$26.00					\$27.12	\$1.12	4%	\$9.60	(\$8.48)	-31%

11/20/2002